



Japan: Business Continuity Planning Industry

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08/2008

Summary

Japanese companies are well aware of Japan's susceptibility to natural disasters; therefore disaster prevention plans tend to be more focused on earthquakes, typhoons and floods, rather than terrorist threats and pandemic influenza. In today's high-risk business environment, the Business Continuity Planning (BCP) has become essential for government agencies and power and utility companies. In recent years, private companies have taken up BCP as well. The Japanese government is leading efforts to enhance BCP. A series of guidebooks have been published by Japanese Ministries since 2005. Although BCP is not mandatory for all companies, the Government of Japan strongly suggests that all companies create feasible action plans. BCP adopters are still mainly Japanese large-scale companies. Japan is probably about five years behind the U.S. and Europe in terms of BCP, observes Brent Tanner, head of Operations and Technology for Citibank Japan. However, the BCP trends are rapidly growing among all across industries. The BCP development movement in the Government of Japan and increasing awareness of BCP among private sector entities may provide diverse opportunities for U.S. companies such as consultant firms, BCP development services, software and new technologies for natural disaster damage mitigation.

Market Demand

Growing awareness about disaster prevention measures is boosting demand for various BCP related services and systems as Government of Japan guidelines aimed at BCP development are becoming mandatory. The Cabinet Office of Japan published guidelines in 2005 for the private sector that laid out a proactive administrative approach for BCP improvement. The Central Disaster Prevention Council, Cabinet Office issued a "Countermeasure Strategies against Disaster by Inland Earthquake in the Capital City" (plan) on April 2006. In the report, GOJ aims to develop BCP among all Japanese large-scale companies and more than half of small and medium sized enterprises (SMEs) within 10 years (<http://www.bousai.go.jp/chubou/17/shiryou3-1.pdf>).

Along with the growing international recognition of the need for BCP has emerged a need to secure global supply chains. According to a Fujitsu Research report, more and more European and American companies check for the presence of BCP by potential suppliers before initiating business transactions. In one example, the July 2007 Niigata Prefecture earthquake had serious ramifications for Japan's automobile industry when Japan's leading manufacturer of piston rings, Riken Corp., stopped its operations. Toyota spokesman Tomomi Imai said the auto giant put top priority on helping Riken resume normal production, including sending about 330 employees to help out. Over 650 employees from other companies were dispatched to help Riken restore its production line. "Automakers and auto parts makers sometimes co-develop engines and in such cases it is hard for us to easily use parts from other companies," Toyota's Imai said. This event garnered serious attention to BCP as a comprehensive solution to maintain business operations in times of disaster. BCP is now recognized as essential not only for government agencies and electrical and gas companies, but also among small-and-medium-sized manufacturers and service providers.

According to a Fuji Keizai Research report, demand for disaster prevention related business in Japan is projected to reach US\$13.2 billion by 2010, which is almost double the spending in 2006.

Product/Service	2010 Projections	2006 Growth
BCP/BCM consulting service	US\$4.9 billion	124%
Emergency electrical generator & Continuous power generation	US\$3.9 billion	14%
Solar Power system	US\$1.7 billion	14%
Fire alarm for home security	US\$900 million	45%

Other services (including IT related services)	US\$1.8 billion	15%
TOTAL	US\$13.2 billion	

(Resource: Fuji Keizai Research)

The Tokyo Metropolitan Government has stated that every fire station, police station and metropolitan hospital will be made quake-resistant over the next three years. In addition, elementary and junior high school buildings will be made quake-resistant with the cooperation of municipalities and private schools.

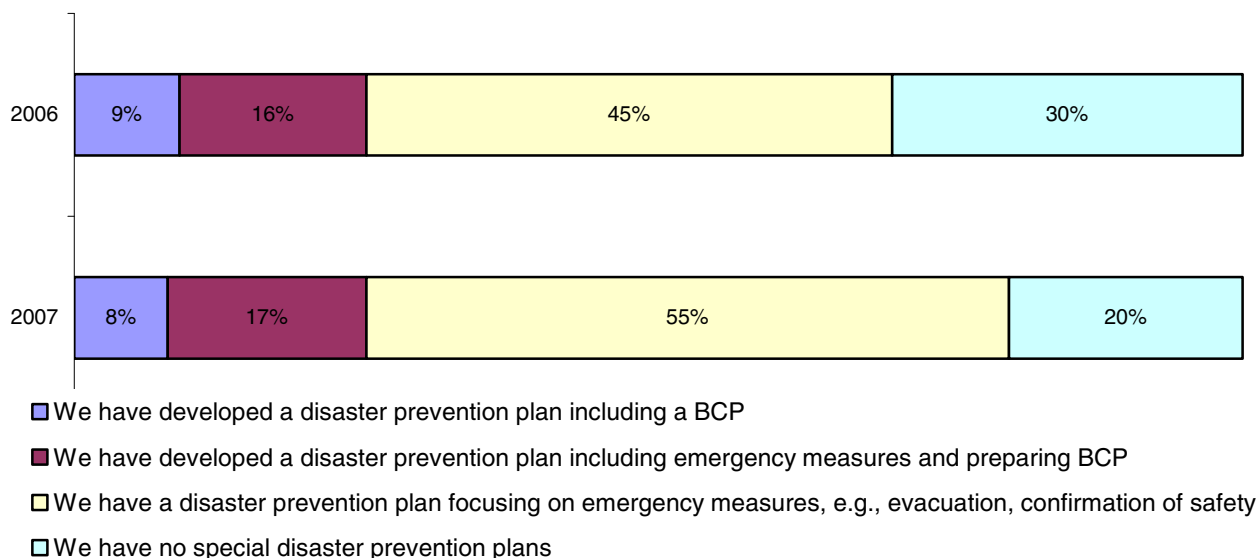
Market Data

For many companies, BCP means using a secondary site to back up data, IT systems and applications. But there are growing interests in preparation of a BCP as a part of a company's Corporate Social Responsibility (CSR) efforts. Many companies began publishing CSR reports for the purpose of disclosing BCP activities to stakeholders such as customers, shareholders, suppliers and business partners. These trends were influenced by the BCP guidelines published by the Cabinet Office in August 2005

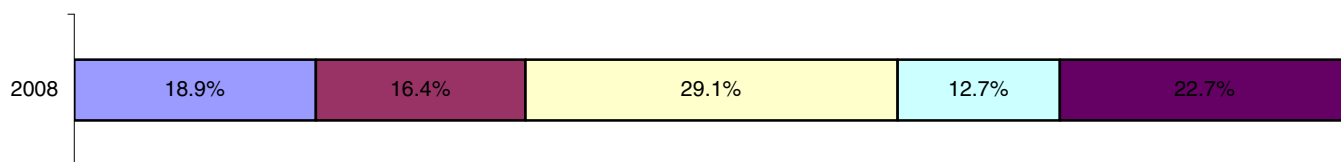
(<http://www.bousai.go.jp/MinkanToShijyou/guideline01e.pdf>). Small and Medium Enterprises Agency developed operational guidelines for SME (<http://www.chusho.meti.go.jp/bcp/index.html>)

The Ministry of Economy, Trade and Industry published guidelines, especially focused on IT, in March 2005 (http://www.meti.go.jp/policy/netsecurity/downloadfiles/6_bcpguide.pdf). Also, the Business Continuity Advancement Organization was established in June 2006 and has been actively promoting BCP by training BPC specialists. Japanese affiliated risk management divisions of insurance companies have also become very active.

However, despite these Japanese government-led efforts, Japanese companies' efforts have fallen far short of the Government of Japan targets. According to a September 3, 2007 survey by the Development Bank of Japan of companies with capital of over US\$100 million and over 300 employees, only 8% of the companies said they had a BCP. This has remained flat from the previous survey in 2006. On January 2008, the Cabinet Office conducted a similar survey on the BCP development situation in domestic industries. This survey reported that only 18.9% of the companies have developed a BCP. The Cabinet Office stated that efforts are underway to raise this figure.



(Source: Development Bank of Japan)



- ☐ We have developed a disaster prevention plan including a BCP
- ☐ We have developed a disaster prevention plan including emergency measures and preparing BCP
- ☐ We have a disaster prevention plan focusing on emergency measures, e.g., evacuation, confirmation of safety
- ☐ We have no special disaster prevention plans

The survey by the Cabinet Office revealed that many companies are still in the consideration stage. The top three obstacles to adopting a BCP are (1) Companies don't have the skill and know-how to develop a BCP (2) Companies do not have the human resources to develop a BCP (3) It is cost prohibitive.

(Source: Cabinet Office, Government of Japan)

Best Prospects

As BCP becomes more and more important for companies to adopt, there will also be steady growth in the market for various emergency preparedness equipment and systems in Japan. Products below such as CCTV, emergency electric generators and alarm systems are mature and highly competitive markets in Japan.

CCTV

Solar generators

Emergency lighting; emergency food

Antiseismic systems, aseismic retrofit

Surge protectors and battery backup systems

There are however, potential business opportunities and market demand for various emergency preparedness services and niche products where the U.S. holds a technological advantage or expertise, particularly in BCP counseling services.

Counseling services for BCP development

IT solutions (various tools and software)

Enhancing tools for information sharing (e.g. emergency message broadcast system)

Geographic Information Systems (GIS) to increase the ability to analyze and respond to the events

Medical and specialty equipment and protective gear for pandemic or disaster response

During the symposium held by the Business Continuity Advancement Organization, Mr. Shinji Hosotsubo explained the current status of a developing ISO standard. Hosotsubo said that it will be difficult to publish guidelines this year, as there is no consensus regarding definitions of TC233 Social Security issues. Once there is an ISO standard issued, it is expected to be a significant influence, and its adoption could be an essential condition to participation in a global supply chain and a criterion to rank a company. It might become a contractual stipulation to detail ISO compliance in CSR documents and financial statements. However, an ISO standard may be difficult for Japanese companies because Japanese companies are not particularly concerned with the risk of terrorist attacks, and are instead more focused on natural disaster prevention planning.

Key Suppliers

Large technology giants such as Cannon, Fujitsu, Hitachi, Mitsubishi, NEC, NTT, Panasonic, Oki, Omron, Sony and Toshiba are tough competitors in sub-sectors of CCTV, security systems, IT and Communication Services. Most of these companies have introduced a wide range of security services including BCP software tools.

Mass notification systems suppliers are Tanaka Denki, NEC, NTT, OAS, etc.

Fire alarm suppliers are Aiphone, Fujikura E.I., Hochiki, Kobishi, Nittan, Nohmi Bosai, Oki Denki Bosai, Panasonic, Yamato Protec, etc.

Medical masks suppliers are San-M Package, Shigematsu Works, Sumitomo 3M, etc.

Protective suit suppliers are Dupont Japan (U.S.) Eiko, MSA (U.S.), Nihon Kasetsu, Simon, Teikoku seni, etc.

Major construction companies provide services in developing BCP for companies and organizations.

Prospective Buyers

Public Sector:

Major public commissioning entities follow (procurement website):

Ministry of Internal Affairs and Communications (<http://www.e-procurement-cao.jp/choutatsujouhou.html>)

Ministry of Economy, Trade and Economy (<http://www.meti.go.jp/information/publicoffer/index.html>)

Ministry of Health, Labor and Welfare (<http://www.mhlw.go.jp/sinsei/chotatu/index.html>)

Ministry of Land, Infrastructure and Transport (<http://www.mlit.go.jp/appli/file000001.html>)

Ministry of Education, Culture, Sports, Science and Technology (<http://sisetuweb1.mext.go.jp/procure/index.html>)

National Police Agency (<http://www.npa.go.jp/chotatu/index.htm>)

Fire and Disaster Management Agency (http://www.fdma.go.jp/neuter/topics/fieldList8_5.html)

Tokyo Fire Department (<http://www.tfd.metro.tokyo.jp/hp-kikakuka/keikaku2007.html>)

Major "designated city governments" (e.g., Tokyo, Nagoya and Osaka)

Private Sector:

Electricity and Gas utilities

Mass transit companies

Major construction companies

Commercial building owners

Hospitals

Market Entry Strategies

Establishing a direct presence in Japan is the best way to penetrate the Japanese market, but this can be an extremely expensive strategy. The use of agents/distributors is a more realistic marketing strategy for a small or medium-sized U.S. firm, but this approach requires great care in the selection of the representative. Part of the difficulty in choosing a Japanese agent is assuring that the agent will devote sufficient attention to expanding the market share of the U.S. product. A U.S. company should be wary of distributors that co-handle competitors lines, or products that are complimentary in nature and could present conflicts of interest for the distributor. Distributors in Japan usually cover a specific territory or industry. Import agents are often appointed as sole agents for the entire country (although there is no statutory requirement that this be done). In some cases exclusivity may be necessary to ensure a strong commitment by the Japanese agent towards expanding sales. Regional exclusivity, a limited term of representation, minimum sales, or qualitative indicators of sales efforts are good strategies as a safeguard in exclusive agency contracts.

Given the close-knit nature of business circles and traditional wariness toward foreign suppliers, replacing a Japanese agent or distributor could cause reputation problems if not handled in an extremely sensitive manner. A U.S. company should at all costs avoid being viewed as lacking adequate commitment to Japanese business

relationships. Japanese agents may request “parting compensation” in the event the foreign exporter decides to dissolve a business relationship. Since this is a common practice in Japan, U.S. companies should address this possibility prior to executing a contract.

Market Access Issues & Obstacles

There seem to be no legislative or regulatory trade barriers in the security industry. However, the Japanese market is highly competitive. Good after-sale service is considered essential; the Japanese government and private companies require after-sale support and service in timely manner.

Trade Events

RISCON (Risk Control) Tokyo, 8-10 October 2008 in Tokyo
<http://www.kikikanri.biz/english/index.html>

Security Show 2009, 3-6 March 2009 in Tokyo
http://www.shopbiz.jp/top/index_SS.html

Office Security Expo, 7-8 July 2009 in Tokyo
<http://www.osec.jp/osec/>

References & Key Contacts

Cabinet office, Government of Japan- Disaster Management in Japan
<http://www.bousai.go.jp/panf/saigaipanf.pdf>

Ministry of Economic, Trade and Industry: http://www.meti.go.jp/english/press/data/nBackIssue20080613_05.html

Fire and Disaster Management Agency: <http://www.fdma.go.jp/en/>

Ministry of Health, Labor and Welfare – Pandemic Influenza Preparedness Action Plan
<http://www.mhlw.go.jp/english/topics/influenza/dl/pandemic02.pdf>

NPO Business Continuity Advancement Organization: <http://www.bcao.org>

For More Information

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